JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc.

We have audited the accompanying financial statements of **Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc.**, which comprise the statement of financial position as at December 31, 2013, and the statements of changes in net assets, revenues and expenses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (cont'd.)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion
Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc. derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether adjustments might be necessary to receipts from contributions, excess of revenues over expenses for the year, assets and net assets.

Qualified Opinion
In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had the receipts from contributions referred to in the basis for qualified opinion been susceptible to satisfactory audit tests, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2013 and the changes in net assets, revenues and expenses, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Montréal, Québec

[1]CPA auditor, CA, public accountancy permit No. A104321

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012
ASSETS		
Current		
Cash (Note 3)	$ 1,155,820	$ 955,975
Investment	750,000	-
Investments held by third party (Note 4)	8,565,698	8,765,115
State of Israel bonds (Note 5)	95,529	99,000
Sales tax and other receivables (Note 6)	387,459	577,918
Prepaid expenses and sundry assets	85,291	34,197
	11,039,797	10,432,205
Cash surrender value of life insurance policies (Note 7)	154,698	150,934
Loan receivable (Note 8)	280,000	280,000
Property and equipment (Note 9)	263,237	192,453
	$ 11,737,732	$ 11,055,592
LIABILITIES		
Current		
Accounts payable and sundry liabilities (Note 10)	$ 366,229	$ 194,283
Salaries and vacation payable	258,853	211,774
Loan payable (Note 11)	264,693	408,889
	889,775	814,946
Provision for retirement pay	318,226	310,205
	1,208,001	1,125,151
NET ASSETS		
Unrestricted	10,529,731	9,930,441
	$ 11,737,732	$ 11,055,592

DRAFT

APPROVED ON BEHALF OF THE DIRECTORS:

______________ *Member*

______________ *Member*

See accompanying notes

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Balance, beginning of year	**$ 9,930,441**	$ 8,106,407
Excess of revenues over expenses for the year	**599,290**	1,824,034
Balance, end of year	**$ 10,529,731**	$ 9,930,441

See accompanying notes

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Revenues		
Receipts from contributions	$ 11,243,397	$ 11,869,250
Increase in fair value of investments including investment income	1,066,481	614,061
Increase in cash surrender value of life insurance policies	3,764	4,142
	12,313,642	12,487,453
Fundraising expenses (Note 12)	4,056,085	3,157,231
Excess of revenues over fundraising expenses	8,257,557	9,330,222
Expenses		
General and administrative	2,258,437	2,164,588
Amortization	38,590	45,416
	2,297,027	2,210,004
Excess of revenues over expenses before undernoted item	5,960,530	7,120,218
Charitable projects	5,361,240	5,296,184
Excess of revenues over expenses for the year	$ 599,290	$ 1,824,034

See accompanying notes

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Operating activities		
Excess of revenues over expenses for the year	$ **599,290**	$ 1,824,034
Adjustments for		
Amortization	**38,590**	45,416
Increase in fair value of investments	**(719,468)**	(486,257)
Increase in cash surrender value of life insurance policies	**(3,764)**	(4,142)
Total adjustments	**(85,352)**	1,379,051
Net change in non-cash working capital items		
Decrease (increase) in sales tax and other receivables	**190,459**	(229,026)
(Increase) decrease in internally restricted investments	**(51,094)**	2,424
Increase (decrease) in accounts payable and sundry liabilities	**171,944**	(257,290)
Increase in salaries and vacation payable	**47,079**	40,839
Increase (decrease) in provision for retirement pay	**8,022**	(56,280)
Cash provided by operating activities	**281,058**	879,718
Investing activities		
State of Israel bonds	**3,471**	64,951
Investments	**168,885**	(632,512)
Purchase of property and equipment	**(109,373)**	(36,114)
Cash provided by (used in) investing activities	**62,983**	(603,675)
Financing activities		
Repayment of loan payable	**(144,196)**	(62,585)
Issuance of loan receivable	**-**	(280,000)
Cash used in financing activities	**(144,196)**	(342,585)
Increase (decrease) in cash	**199,845**	(66,542)
Cash, beginning of year	**955,975**	1,022,517
Cash, end of year	$ **1,155,820**	$ 955,975

See accompanying notes

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

1. Purpose of the organization

Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc. raises funds from various sources across Canada including individuals, corporations and estates. These funds are used for charitable purpose in Israel through Canada Israel Committee (CANISCOM), an agent of the organization. The organization is incorporated under the Canada Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

During the year, Corporations Canada established the Canada Not-for-profit Corporations Act (NFP Act). All registered charities currently incorporated under the Canada Corporations Act must apply for a certificate of continuance under the new NFP Act by October 17, 2014 failing which the corporation will be dissolved. As at year-end, the application process had been initiated and is expected to be completed before the deadline.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

(a) Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period.

Estimates made by management include the useful life of property and equipment, salary and vacation payable accruals, provision for retirement pay, and the allocation of salaries and compensation costs. Actual results could differ from those estimates.

(b) Financial instruments

(i) Measurement of financial instruments

The organization initially measures its financial assets and financial liabilities at fair value. Subsequent thereto, its financial assets and financial liabilities are measured at amortized cost, except for its investment, investments held by third party and State of Israel bonds, which are subsequently measured at fair value. Changes in fair value are recognized in the excess of revenues over expenses for the year.

Financial assets measured at amortized cost include cash, sales taxes receivable, and loan receivable.

Financial liabilities measured at amortized cost include accounts payable and sundry liabilities, salaries and vacation payable, loan payable and provision for retirement pay.

2. Significant accounting policies (cont'd.)

(b) Financial instruments (cont'd.)

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the excess of revenues over expenses for the year.

No write-downs were recorded for the years 2013 and 2012.

(c) Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received. Pledges are recognized as revenue when collectability is reasonably assured. Bequests are recognized as revenue when assets donated can be reasonably identified and measured.

(d) Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the expected future net undiscounted cash flows from its use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds their fair value.

No write-downs were recorded for the years 2013 and 2012.

(e) Property and equipment

Property and equipment are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rates and methods are as follows:

Furniture and fixtures	20% declining balance
Data processing equipment	*20% declining balance*
Software	20% declining balance

Amortization of leasehold improvements is recorded over the remaining term of the lease. The average term of the leases is 5 years.

(f) Allocation of expenses

Compensation costs that are directly attributable to fundraising activities are allocated to fundraising expenses. The amount of compensation costs allocated is based on the time spent by the employees on fundraising activities.

3. Cash

As at December 31, 2012, cash included $85,000 (2013 - NIL) held on account of deposits received from individuals for upcoming missions to Israel. The offsetting amount has been included in accounts payable and sundry liabilities.

4. Investments held by third party

These investments are held and administered by the Jewish Community Foundation of Montreal.

5. State of Israel bonds

State of Israel bonds have been recorded at fair value. The bonds mature at various dates from January 2014 to January 2021 and bear interest at an average rate of approximately 2.94% per annum. Approximately $28,000 (U.S. $26,000); 2012 - $17,000 (U.S. $15,900) of State of Israel Bonds are denominated in U.S. currency.

6. Sales tax and other receivables

	2013	2012
Sales taxes receivable	$ 334,499	$ 577,918
Other receivables	52,960	-
	$ 387,459	$ 577,918

7. Cash surrender value of life insurance policies

Cash surrender value of life insurance policies is shown net of loans to finance premiums. The face value of these insurance policies, net of outstanding loans of approximately $79,000 (2012 - $72,000), is $1,981,000 (2012 - $1,981,000).

8. Loan receivable

This loan receivable is to a former executive vice president and was advanced as part of his retirement package. It is non-interest bearing and will be repaid from the proceeds of an insurance policy on his life.

9. Property and equipment

	2013			2012
	Cost	Accumulated amortization	Net	Net
Furniture and fixtures	$ 549,147	$ 480,885	$ 68,262	$ 74,812
Data processing equipment	993,085	923,433	69,652	74,170
Software	392,677	286,818	105,859	21,619
Leasehold improvements	44,605	25,141	19,464	21,852
	$ 1,979,514	$ 1,716,277	$ 263,237	$ 192,453

At year end, the organization had capitalized approximately $89,000 of software that was not yet in use. Accordingly, the organization did not amortize these assets during 2013.

10. Accounts payable and sundry liabilities

Included in accounts payable and sundry liabilities are approximately $46,000 (2012 - $37,000) of payroll deductions.

11. Loan payable

The loan payable is non-interest bearing and has no specific terms of repayment.

12. Fundraising expenses

Included in fundraising expenses are allocated salaries and other compensation costs of $931,000 (2012 - $857,000).

13. Income taxes

The organization is classified as tax-exempt under Federal and Provincial income tax laws. Consequently, no provision for income taxes has been reflected in the accompanying financial statements.

14. Pension plan

On January 1, 2006, the organization initiated a defined benefit plan for a key officer employed by the organization. Under the terms of this plan, the organization is responsible for the funding of all the pension liabilities and administrative costs, with the exception of any deficit occurring from short falls of its stated investment return targets which will be assumed by the beneficiary. An independent actuarial valuation report with an effective date of December 31, 2012 was prepared for this plan in September 2013 determining the plans' current funding obligations for the three-year period ending December 31, 2015.

During the year, the organization paid current service contributions of $35,400 (2012 - $73,900) included in the actuarial valuation report. Actuarial valuations will be reviewed every three years.

15. Commitments

a) The minimum rentals payable under long-term operating leases exclusive of certain operating costs for which the organization is responsible, are approximately as follows:

2014	$	150,000
2015		131,000
2016		77,000
2017		53,000
2018		27,000
	$	438,000

(b) The funding requirements for the pension plan, as described in Note 14, are approximately as follows:

2014	$	36,400
2015		37,400
	$	73,800

c) During the year, the organization entered into a supplier contract to purchase an accounting system software having a total cost of approximately $234,000 net of input tax credits. Implementation will be completed in the 2014 fiscal year. As at year-end, the organization had incurred approximately $134,000 related to this commitment.

16. Financial instruments

Interest rate risk

The organization is exposed to changes in interest rates, which could adversely impact expected returns from the organization's investment, investments held by third party and State of Israel bonds.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The organization is exposed to market risk as a result of its investments. The organization reduces this risk by maintaining a diversified portfolio.